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**PRECAMBRIAN
SHIELD
RESOURCES
LIMITED**



**Annual
Report
1973**

FOR THE YEAR ENDING NOVEMBER 30th, 1973

PRECAMBRIAN SHIELD RESOURCES LIMITED

(Incorporated under the laws of the Province of British Columbia)

DIRECTORS --

EARL E. CURRY, Edmonton

WALTER E. CLARKE, Edmonton

JOHN D. CURRY, Edmonton

STEWART D. McGREGOR, Edmonton

JOHN BRUK, Vancouver

OFFICERS --

EARL E. CURRY, President

WALTER E. CLARKE, Vice-President
and Secretary

AUDITORS --

Ernst & Ernst, Edmonton

SOLICITORS --

Lawrence & Shaw, Vancouver

REGISTRAR AND
TRANSFER AGENT --

Guaranty Trust Company of Canada

Vancouver - Calgary - Toronto - Winnipeg

BANKERS --

Bank of Montreal, Edmonton and
Yellowknife

LISTING --

Toronto Stock Exchange

PRINCIPAL OFFICE --

11th Floor, Petroleum Plaza

9945 - 108 Street

EDMONTON, Alberta T5K 2G6

Annual General Meeting, May 24th, 1974, 10:00 A.M.

Salon 1610, Holiday Inn, 107 Street and 100 Avenue

EDMONTON, Alberta

PRECAMBRIAN SHIELD RESOURCES LIMITED

(Incorporated under the laws of the Province of British Columbia)

REPORT OF THE DIRECTORS

To the Shareholders

Your Directors are pleased to submit the seventh annual report of the Company. Included are the audited financial statements for the fiscal year ended November 30th, 1973, a summary of activities during the year and the subsequent period to date together with comments on the outlook for the balance of 1974.

A number of important developments in the affairs of your Company took place over the past several months and are summarized as follows:

- 1) The Company successfully completed a public issue of 800,000 shares and 400,000 share purchase warrants using a national brokerage house as underwriter. The net proceeds to the Company of \$374,000, before expenses of the issue, were received in the month following the year end and are, therefore, not reflected in the accompanying balance sheet.
- 2) On March 1st, 1974 the name of the Company was changed to Precambrian Shield Resources Limited. This was done at the request of the Toronto Stock Exchange, where our shares were recently listed, to avoid confusion with an existing public company with a similar name.
- 3) The Company obtained a 50% interest in another Yellowknife area gold property, the WT group. We have long regarded this property as one of the better gold prospects in the area.
- 4) The Company completed its first year of exploration on the Selwyn Project joint venture resulting in the acquisition of several promising prospects, four of which are scheduled for diamond drilling in the coming season.
- 5) Precambrian Shield, through an associated company, significantly expanded its earning potential by the commencement of a \$1,000,000 addition to the Bellanca office building in Yellowknife.

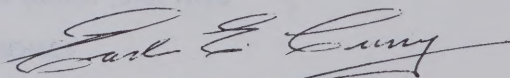
It would appear that your Company's long standing interest in gold has been vindicated by the events of the past year. We believe the price of gold will continue to increase in the future and view our gold projects for 1974 as timely.

The principal undertaking of the Company in 1974 will be a major underground test of the newly acquired WT gold group. At the time of writing, all necessary supplies and equipment are on the property. The decline drive is now underway and at the anticipated rate of advance, the main zone should be reached by mid May. Further diamond drilling on the NOSE group gold property has just been completed, the results of which are reviewed elsewhere in this report. Both of these projects are being carried out in association with Numac Oil & Gas Ltd. as joint venturers.

These gold oriented undertakings in the Northwest Territories along with the testing of the Selwyn Project base metal prospects in the Northwest Territories-Yukon Territory border area make the year 1974 one of considerable challenge and expectation.

Your Company is fortunate in being able to assemble a small but highly experienced technical staff. Walter E. Clarke, P. Eng., a director of the Company since incorporation, joined Precambrian Shield in August, 1973 as vice-president and full time employee. He brings to your Company over 30 years of mine operating, exploration and geological experience. John D. Curry, a geological engineer and director, continues as chief geologist responsible for direction of the Company's field activities. In addition, Precambrian Shield can call on the technical skills available from an associated company. The combined experience of this group should be invaluable to the Company in its expanded mining activities.

On Behalf of the Board,



Earl E. Curry,
President

April 19, 1974
Edmonton, Alberta

PRECAMBRIAN SHIELD RESOURCES LIMITED

(Incorporated under the laws of the Province of British Columbia)

REVIEW AND OUTLOOK

FINANCIAL

A public issue of common shares was completed in December, 1973 adding \$374,000 to the financial resources of the Company thereby assuring adequate funds to carry out presently planned programs.

Share purchase warrants are currently outstanding entitling the bearers to purchase a total of 400,000 common shares at a price of 70¢ per share. These warrants expire June 14, 1974 and if exercised will net the treasury an additional \$280,000.

SELWYN PROJECT

25% interest in 672 recorded mineral claims.

The major exploration project for the Company in 1973 was the joint venture with Dynasty Explorations Limited, Atlas Explorations Limited and Numac Oil & Gas Ltd., in the search for large stratiform base metal deposits within the Selwyn Basin northwest of Howard's Pass, approximately 100 miles northeast of Ross River, Yukon Territory, straddling the Yukon-Northwest Territories boundary. Your Company contributed \$90,000 to the project and earned a 25% interest in all lands acquired within the defined "Mining Area" of approximately 7,680 square miles.

Interest in the area was sparked by the discovery of important lead-zinc occurrences in sedimentary rocks in late 1972 by Placer Development Ltd. Dynasty and Atlas staked three claim groups, now part of the Selwyn Project holdings. The 1973 program included geological and geochemical examination of these three groups; reconnaissance stream sediment sampling and prospecting of the "Mining Area"; the acquisition by staking or option of showings of particular interest resulting from the reconnaissance work; and more detailed surface exploration of these holdings. Lead-zinc mineralization in favorable host rocks was observed on three of the properties, while anomalous geochemical values indicated interesting subsurface conditions on eight others. A total budget of \$300,000, 25% of which will be contributed by Precambrian Shield, is contemplated for continued reconnaissance and property exploration work within the "Mining Area" during 1974. Seven of the claim groups warrant more detailed geological, geochemical and geophysical work to define specific targets for diamond drilling. Preliminary drilling plans have been formulated on four of these groups based on data already at hand.

WT GROUP

50% interest in 27 mineral claims, three of which have been surveyed and brought to lease.

In 1973 the Company and Numac Oil & Gas Ltd. each acquired a 50% interest in this gold property subject to a reservation of a 20% net profits interest to the vendors.

The property is located approximately 43 miles northeast of Yellowknife, N.W.T. immediately west of the Cameron River and one mile south of Myrt Lake which provides ready access by float and ski equipped aircraft. A 25 mile winter truck road was constructed in March, 1974 from the east end of the all weather Ingraham Trail to the property, which permitted the economic transportation of mining equipment and supplies from Yellowknife.

Initial work on the property commenced in 1938 and periods of exploration activity were 1938-39, 1960 and 1962-63 by three separate mining companies. Economic conditions for gold mining during these periods were not conducive to persist with underground exploration, and the options were successively allowed to expire. Several deep rock trenches were excavated, chip and bulk samples collected and approximately 7,000 feet of surface diamond drilling completed on two strong quartz zones during the several programs. The No. 1 Zone received the most attention and by combining all available information, a mineralized shoot 240 feet long by approximately 20 feet wide, representing a potential of some 400 tons per vertical foot is estimated to grade 0.30 ounces of gold per ton. Within this section a higher grade shoot of 162 tons per vertical foot is estimated at 0.61 ounces of gold per ton. The No. 2 Zone lies 200 feet to the northeast, has returned important gold values from limited trenching and diamond drilling, and undoubtedly will be a target for future exploration.

During the past few weeks all necessary equipment and supplies were trucked to the property, a camp consisting of trailers and tent frames set up and site preparation completed. The mining crew is now on the property and a major underground exploration program is underway. Trackless mining equipment will be utilized to drive 1,000 feet of decline tunnel and crosscuts to bulk sample the 240 foot long No. 1 Zone at a depth in excess of 75 feet below surface. This opening will also facilitate access for exploration and mining laterally and to depth. It is estimated that expenditures on the WT Project in 1974 will exceed \$250,000.

NOSE GROUP

100% interest in 40 mineral claims, six of which have been surveyed and brought to lease.

This gold property is located approximately 35 miles north of Yellowknife, N.W.T. and one mile east of Clan Lake. Access may be provided by a winter road from Yellowknife directly to the property from January through early April, or by float or ski equipped aircraft to Clan Lake. The Discovery Mine, a former gold producer, lies about 20 miles to the north.

The property was discovered in 1964 and to date, 12 separate gold bearing quartz vein zones have been located. The Nos. 1, 4 and 5 Zones are believed to be related to a single vein system which has a total strike length of approximately 1,500 feet. The Nos. 2 and 3 Zones parallel the northerly 300 feet of the No. 1 Zone about 125 feet to the west and east respectively. Extensive surface trenching and sampling of these zones established a 70 foot shoot at the north end of the No. 1 Zone which averaged 0.51 ounces of gold per ton over a width of 18.5 feet. Gold values in the other zones were less consistent and no meaningful estimate of grade was possible.

A 3,336 foot, 17-hole surface diamond drilling program was conducted in early 1965 of which 15 holes partially tested the northerly 400 feet of the Nos. 1, 2 and 3 Zones. Vein continuity in each case was established along strike to shallow depths. One hole intersected a strong quartz vein, believed to be the No. 1 Zone 400 feet below surface. Grade calculation was impractical due to erratic gold distribution at relatively widespread sample intervals.

In 1966, 100% ownership of the property was acquired by your Company and in 1967 a bulk sample of 1,141 tons was mined by open pit methods from the 70 foot shoot in the No. 1 Zone, and subsequently milled, on a custom basis, at Discovery Mines Limited. The average grade of the sample was 0.423 ounces of gold per ton, which at a 97% recovery produced a 468 ounce gold brick.

A 3,430.5 foot, 14-hole BQ wireline diamond drilling program was completed in mid-March of this year to provide additional data as to grade, width and continuity, both laterally and to depth, on the Nos. 1, 2 and 5 Zones, as a prerequisite to a decision for a proposed underground bulk test of these zones by means of a decline tunnel.

Strong continuous veining was encountered in the Nos. 1 and 2 Zones over economically mineable widths, for a 200 foot length, to 250 feet and 350 feet respectively below surface. The No. 5 Zone to a depth of 100 feet is a strong quartz vein system up to 30 feet wide, tested over a 50 foot strike length. Visible gold in minor quantities was encountered in most holes in each of the zones, but as experienced in the 1965 drilling program, assays in general were low. An analysis of all assay data accumulated to date indicates that bulk sampling methods, as opposed to diamond drilling, are required to determine a satisfactory grade estimate.

Future plans for the property include the immediate survey and bringing to lease of the remaining 34 claims and consideration of further bulk testing of the Nos. 1, 2 and 5 Zones, the final decision for which will be contingent to some degree on the continued buoyancy of the price of gold.

The recent program was financed by Numac Oil & Gas Ltd. as part of its contribution to earn a 50% interest in the property.

PROJECT QUESTORE

25% interest in 439 recorded mineral claims.

This joint venture, Precambrian Shield 25%, Numac Oil & Gas Ltd. and Associates 50% and Getty Mines Limited 25%, commenced in 1970 to explore favourable areas within the Beauport River greenstone belt 70 miles northeast of Yellowknife. An additional 42 claims were staked early in 1973 to cover geochemical anomalies located by a regional survey conducted by the Department of Indian Affairs and Northern Development. Geological mapping and more detailed geochemical surveying indicated base metal values in favourable acidic fragmental rocks and these results are now being assessed.

OIL & GAS INTERESTS

A 10% interest in eight oil and gas exploration permits aggregating approximately 205,000 gross acres in the Liard Area of northeastern British Columbia is held on a joint venture basis with Numac Oil & Gas Ltd. and Ashland Oil Canada Ltd. Exploration plans are under discussion with the operator.

GENERAL

Other mineral claim groups, including the FAB and BL in the Northwest Territories, are being retained in good standing, but no work was conducted on these properties during the year. Precambrian Shield's wholly owned subsidiary, DeVries Mining Ltd.(N.P.L.), continues to maintain in good standing its uranium property 140 miles northwest of Yellowknife, N.W.T.

Several areas of interest and property offerings were researched and/or examined but none demonstrated sufficient potential to justify further attention. Your Company will continue to be alive to situations of merit and two areas with known gold occurrences are already slated for examination as soon as weather and ground conditions permit.

BELLANCA DEVELOPMENTS LTD.

Precambrian Shield holds a 45.3% interest in Bellanca - the largest single interest. This Company was incorporated in early 1972 and immediately commenced construction of a five storey office building in the City of Yellowknife, capital of the Northwest Territories. This phase of the Bellanca Building was completed and entirely leased, largely to Government agencies, by the Spring of 1973.

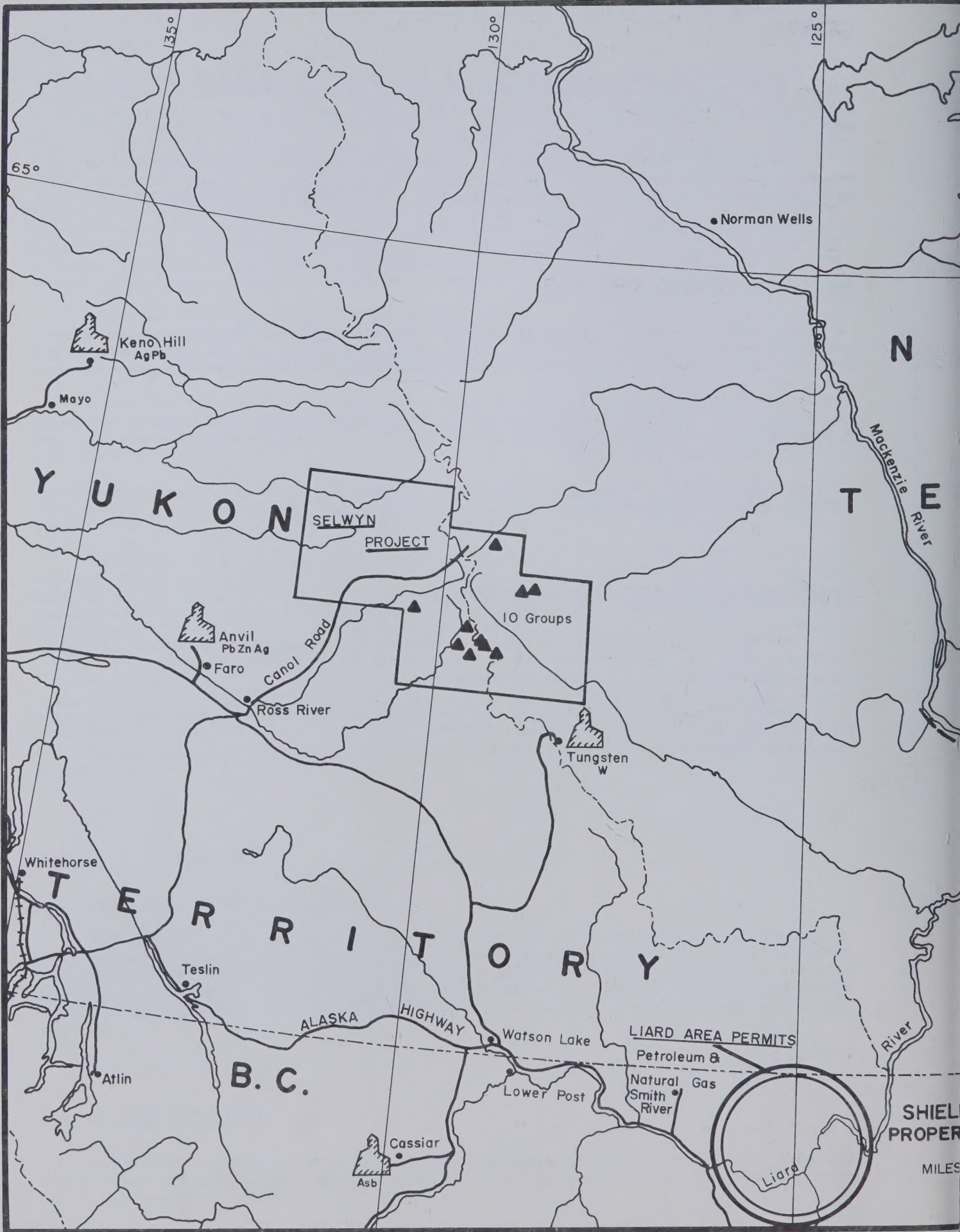
Construction of an additional five storeys got underway during the summer months and is scheduled for completion by June, 1974. When completed at a total capital cost of \$2,200,000, this modern, air-conditioned complex will be the largest office building in Northern Canada.

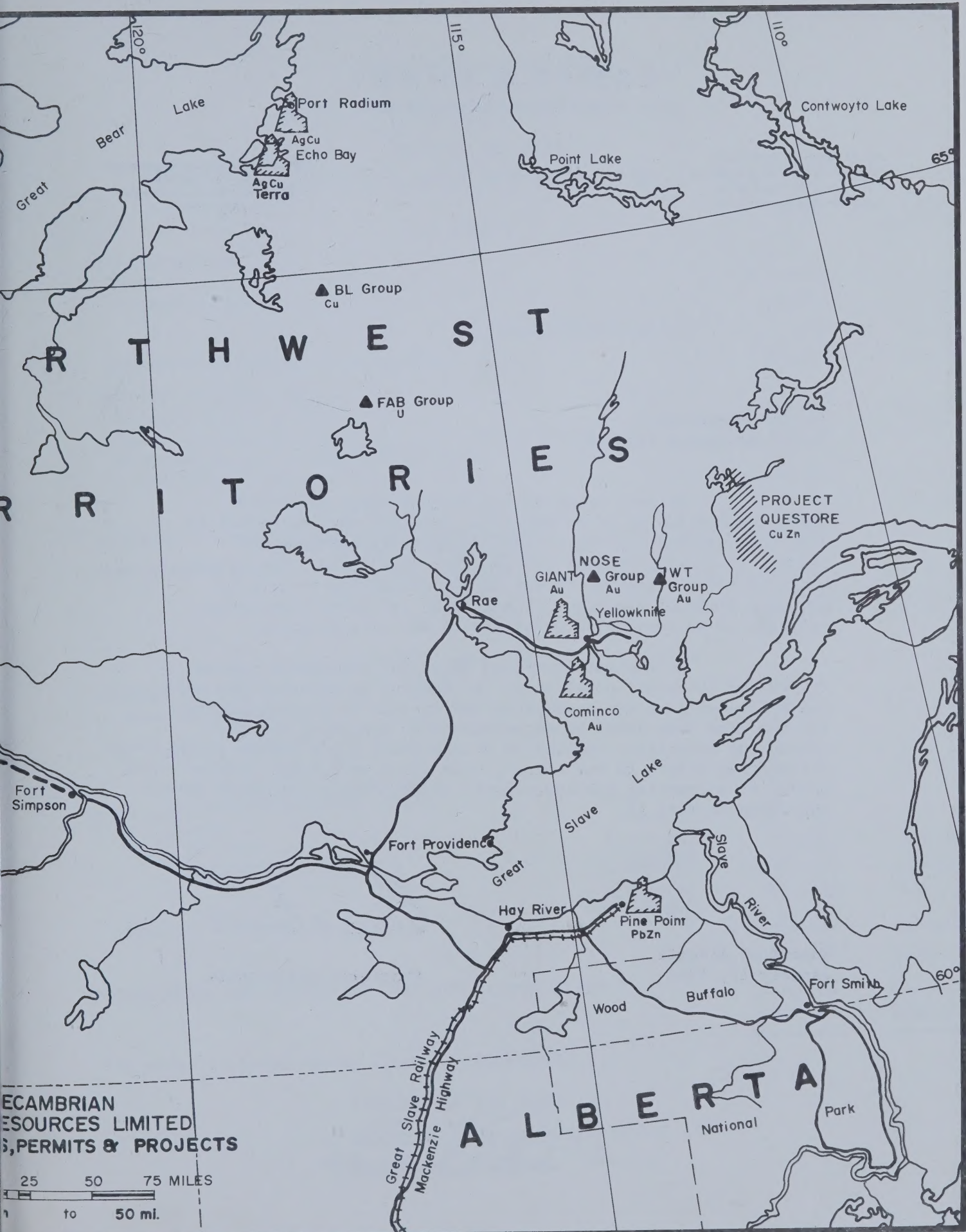
With Precambrian Shield's strong northern orientation, we consider this investment to be complementary to our exploration activities and expect Bellanca to provide a strong growth and income performance.

PRECAMBRIAN MINING SERVICES LIMITED

Your Company holds a 41% interest in Precambrian Mining, a Company that is operated independently of Precambrian Shield management. It is a well established organization providing engineering and management services to the mining, oil and gas industries from bases in Yellowknife and Norman Wells.

Dividends in the amount of \$36,704 were received from Precambrian Mining during the year, but it should be noted that of this amount \$33,284 was of an extraordinary nature being a tax paid dividend from the accumulated undistributed income of that Company.





ERNST & ERNST

CHARTERED ACCOUNTANTS

ASSOCIATES IN PRINCIPAL
CITIES OF THE UNITED STATES
THE UNITED KINGDOM
AND OTHER COUNTRIES

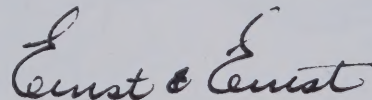
900 CANADA TRUST BUILDING
10150 - 100 STREET
EDMONTON 15, ALBERTA
429-4791

To the Shareholders,
Shield Resources Limited.

We have examined the balance sheet of Shield Resources Limited as at November 30, 1973 and the statements of deficit, deferred exploration and related expenditures and changes in working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company at November 30, 1973 and the results of its operations and changes in working capital for the year then ended in accordance with generally accepted accounting principles applied on a consistent basis (after giving retroactive effect to the change, with which we concur, in the method of accounting for investments in affiliated companies as explained in Note A).

Edmonton, Alberta
January 17, 1974



Chartered Accountants

CONSOLIDATED BALANCE SHEET

SHIELD RESOURCES LIMITED AND SUBSIDIARY

November 30, 1973

(With comparative amounts for 1972)

		<u>1973</u>	<u>1972</u> (Note A)
ASSETS			
CURRENT ASSETS			
Cash		\$ 2,685	\$103,810
Prepaid expenses		<u>913</u>	<u>254</u>
	TOTAL CURRENT ASSETS	3,598	104,064
INVESTMENT IN AFFILIATED COMPANIES - Note A		179,905	208,480
PROPERTY AND EQUIPMENT			
Mineral claims - Note B		75,006	75,008
Land, building and equipment - at cost - Note C		22,277	20,026
Interest in non-producing petroleum and natural gas permits, at cost		<u>21,361</u>	<u>19,774</u>
		118,644	114,808
DEFERRED EXPLORATION AND RELATED EXPENDITURES - Note D		280,287	157,491
ORGANIZATION COSTS		<u>-0-</u>	<u>1,362</u>
		<u>\$582,434</u>	<u>\$586,205</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		\$ 7,932	\$ -0-
SHAREHOLDERS' EQUITY			
Share capital - Note E			
Common shares, no par value:			
Authorized 5,000,000 shares			
Issued:			
For cash	2,041,668	562,500	562,500
For mineral claims	<u>750,000</u>	<u>75,000</u>	<u>75,000</u>
	2,791,668	637,500	637,500
Deficit		<u>62,998</u>	<u>51,295</u>
		574,502	586,205
COMMITMENTS AND CONTINGENT LIABILITY - Note D and F		<u>\$582,434</u>	<u>\$586,205</u>

See notes to consolidated financial statements.

APPROVED BY THE BOARD:

Carl E. Lumy Director
Walter E. L. Lark Director

CONSOLIDATED STATEMENT OF DEFICIT
SHIELD RESOURCES LIMITED AND SUBSIDIARY

Year ended November 30, 1973

(With comparative amounts for 1972)

	<u>1973</u>	<u>1972</u> (Note A)
Deficit at beginning of year, as previously reported	\$40,270	\$35,611
Adjustments of prior years - Note A:		
Cost of mineral claims abandoned	31,828	-0-
Equity in earnings of affiliated company, less dividends received	(20,803)	(5,904)
DEFICIT AT BEGINNING OF YEAR, AS RESTATED	51,295	29,707
Add:		
Cost of mineral claims abandoned	2	-0-
Exploration and related expenditures	15,189	36,487
Organization costs written-off	<u>1,362</u>	<u>-0-</u>
	67,848	66,194
Deduct:		
Equity in net earnings of affiliated companies - Note A:		
Net income for period	4,850	7,073
Extraordinary gain	<u>-0-</u>	<u>7,826</u>
DEFICIT AT END OF YEAR	<u>\$62,998</u>	<u>\$51,295</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION
AND RELATED EXPENDITURES

SHIELD RESOURCES LIMITED AND SUBSIDIARY

Year ended November 30, 1973

(With comparative amounts for 1972)

	<u>1973</u>	<u>1972</u> (Note A)
Exploration:		
Prospecting and development	\$ 7,570	\$ 12,026
Share of expenditures under exploration agreements - Note D	<u>111,097</u>	<u>16,792</u>
	118,667	28,818
Administration:		
Salaries	12,551	9,828
Travel	2,368	998
Telephone and telegraph	732	134
Professional fees	4,878	2,012
Real estate taxes	366	255
Rent and utilities	1,346	-0-
Annual report and meeting	543	-0-
Office	414	-0-
Registrar and transfer agent fees	563	-0-
Other	<u>2,715</u>	<u>487</u>
	26,476	13,714
	145,143	42,532
Interest income and other recoveries	(7,158)	(12,310)
NET EXPLORATION AND RELATED EXPENDITURES FOR YEAR	137,985	30,222
Balance deferred at beginning of year	<u>157,491</u>	<u>163,756</u>
	295,476	193,978
Less transferred to deficit on abandonment of mineral claims	<u>15,189</u>	<u>36,487</u>
	<u>\$280,287</u>	<u>\$157,491</u>
Summary:		
Exploration expenditures less amounts transferred to deficit on abandonment of mineral claims	\$256,765	\$153,287
Administration	79,035	52,559
Interest income and other recoveries	(55,513)	(48,355)
DEFERRED EXPLORATION AND OTHER EXPENDITURES AT END OF YEAR	<u>\$280,287</u>	<u>\$157,491</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN WORKING CAPITAL

SHIELD RESOURCES LIMITED AND SUBSIDIARY

Year ended November 30, 1973

(With comparative amounts for 1972)

	<u>1973</u>	<u>1972</u> (Note A)
Increase in working capital:		
Dividends received from affiliated company - Note A	\$ 36,704	\$ 3,601
Decrease in working capital:		
Net exploration and other expenditures for year	137,985	30,222
Purchase of common shares in, and advances to affiliated companies - Note A	3,279	136,136
Equipment additions	2,251	123
Purchase of interest in non-producing petroleum and natural gas permits	<u>1,587</u>	<u>19,774</u>
	<u>145,102</u>	<u>186,255</u>
DECREASE IN WORKING CAPITAL	108,398	182,654
Working capital at beginning of year	<u>104,064</u>	<u>286,718</u>
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	<u>(\$ 4,334)</u>	<u>\$104,064</u>
Represented by:		
Current assets	\$ 3,598	\$104,064
Current liabilities	<u>7,932</u>	<u>-0-</u>
	<u>(\$ 4,334)</u>	<u>\$104,064</u>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SHIELD RESOURCES LIMITED AND SUBSIDIARY

November 30, 1973

Note A - ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements included the accounts of the Company and its wholly-owned subsidiary, DeVries Mining Ltd. (N.P.L.). All material inter-company transactions and accounts have been eliminated on consolidation.

Changes in Accounting Policies

During the year, the Company adopted the equity method of accounting for its investments in common shares of affiliated companies and has applied this change retroactively. Under the equity method, the Company's investments in such companies are carried on the balance sheet at cost and adjusted for its undistributed share of earnings or losses. The Company's share of the net earnings of these companies is reflected annually in income rather than when realized through dividends. The investment is reduced when dividends are received.

The Company also adopted the policy, on a fully retroactive basis, of consolidating the accounts of its wholly-owned subsidiary, DeVries Mining Ltd. (N.P.L.), with its accounts.

The consolidated financial statements for the years ended November 30, 1973 and 1972 have been restated to reflect these changes in accounting policies.

	<u>1973</u>	<u>1972</u>
Investment in affiliated companies:		
Precambrian Mining Services Limited - shares		
Cost	\$ 58,186	\$ 54,898
Equity in income recorded to date	21,674	16,824
Extraordinary gain (resulting from sale of land and buildings), less excess purchase price (\$15,171) written off	<u>7,826</u>	<u>7,826</u>
	87,686	79,548
Less dividends received	<u>43,917</u>	<u>7,204</u>
	43,769	72,344
 Bellanca Developments Ltd.		
Shares	136	136
Debentures	<u>136,000</u>	<u>136,000</u>
	<u>\$179,905</u>	<u>\$208,480</u>

Note B - MINERAL CLAIMS

The mineral claims, all of which are located in the Mackenzie Mining District of the Northwest Territories, include the following:

76 mineral claims acquired in 1966 which form
part of the consideration for the issuance
of 750,000 common shares of the Company \$75,000

Interests varying from twenty-five to fifty
percent in 515 mineral claims, acquired
through participation in exploration
agreements, at nominal value 6
\$75,006

Note C - BUILDINGS AND EQUIPMENT

No provision for depreciation of buildings and equipment will be recorded until such time as the mineral claims are brought into production.

Note D - COMMITMENTS

The Company is committed to expend a minimum of \$80,000 on development of certain properties pursuant to an exploration and development agreement entered into in September 1973. Should the Company fail to make a production decision, prior to September 20, 1978, as defined in the agreement, all rights to the property will be forfeited.

Note E - SHARE CAPITAL

On September 28, 1973 the Company was changed from a specially limited private company into a public company and the share capital was converted from common shares with a par value of 50¢ to common shares without par value.

Under a stock option plan dated September 26, 1973 the Board of Directors reserved 170,000 common shares for issuance to employees. On September 26, 1973 options expiring September 26, 1978, on 150,000 shares exercisable at a price of 50¢ per share, were granted.

Note F - CONTINGENT LIABILITY

The Company and other shareholders of Bellanca Developments Ltd. are contingently liable as guarantors of a mortgage loan in the amount of \$1,585,000, to finance the construction of an office building in Yellowknife, Northwest Territories. The Company's 136 shares represent 45.3% of the share equity of Bellanca Developments Ltd.

Note G - SUBSEQUENT EVENT

The Company entered into an underwriting agreement dated as of December 10, 1973 providing for the issue of 800,000 common shares and 400,000 share purchase warrants for a total consideration of \$374,000 before deducting expenses in connection with the issue estimated at \$24,000. The funds were received by the Company on December 28, 1973.

Note H - REMUNERATION

Remuneration to directors and officers for the current year amounted to \$24,400; (1972 - \$26,800) of this amount \$3,800; (1972 - \$8,119) has been recovered from joint venture partners and \$5,145 by way of a management fee charged to an affiliate.